STATE OF WISCONSIN
DEPARTMENT OF HEALTH AND SOCIAL SERVICES
DIVISION OF MANAGEMENT SERVICES
BUREAU OF FISCAL SERVICES

ACCOUNTING POLICY

TOPIC: Revenues and Refunds 1.1	EFFECTIVE DATE: 3/17/83
TITLE: Refunding Revenues and Expenditure Refunds	REVISION DATE: 10/31/92
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BACKGROUND

Various units within DHSS are service units (providers) that provide for goods or services to other departmental units (users) or outside agencies. The charges are based on rates established to recover the costs incurred in producing the goods or services for users. If the established rates produce charges (revenues) in excess of the costs, policies and procedures must be established to dispose of those excess revenues in a legal and equitable manner.

When the provider returns the excess revenues to users, the provider "refunds revenues," and the user receives an "expenditure refund." When the refunds are made for charges in the same fiscal year, there are no significant accounting problems. However, the accounting for expenditure refunds is complicated when the refunds relate to charges made in the preceding fiscal year. In the case of GPR refunds, those funds returned in the next fiscal year become GPR-Earned amounts subject to Section 16.52 (2) and should, under usual procedures, be returned to the State General Fund as a non-appropriated receipt. (See **REVENUES 1.0** for examples relating to PRO/PRS/PRF appropriations).

There are alternative methods for disposition of excess revenues. 1) Cash payments for pro-rated refunds, based on billings, may be made to the various users. 2) The provider may reduce subsequent billings by the refund amount due each user. 3) The provider may apply total excess revenues in rate computations in order to reduce rates for the next fiscal year.

Cash refunding is not desirable due to excessive processing required and the need to consider delinquent accounts. If significant amounts are involved, adjusting rates for the next year with current excess revenues may not be equitable because different users could be involved, and the volume of charges to individual users could vary between years.

POLICY

Excess revenues of provider units within DHSS will be uniformly allocated between users on the basis of billings and should be refunded in the same fiscal year that they were generated. Application of refund amounts to subsequent billings within the same, or in the immediate succeeding, fiscal year is the preferred method for refunding excess revenues. Any other method for refunding or applying excess revenues must be approved by the Chief, Special Services Section, before it is implemented.

PROCEDURES

1. Every provider unit within DHSS will review operations quarterly or at least annually to determine if excess revenues are accumulating.

2. Refunds for each user will be computed in an equitable manner when a significant amount of excess revenues has accumulated. The ratio of user billing to total billings may be used to compute refunds. Whenever possible, the refund for each user will be applied to reduce the next billing for that user in the current fiscal year.

3. See Attachment to **REVENUES & REFUNDS 1.0** for proper coding for GPR and for PRO/PRF/PRS refunds.

4. In case there are extenuating circumstances which preclude the provider from processing the refund in the year in which it was earned, an alternative to giving a refund may be to adjust the next year rates across the board for all users.

REFERENCES

Section 16.52 (2), Wisconsin Statutes
DOA External Accounting Manual, III C, 1, c.
REVENUES AND REFUNDS 1.0 (Accounting for Refunds of Expenditure)

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